~ EUROPE

1. ITALY: Communist discontent with Party direction -- US Embassy Rome reports the view that considerable discontent is developing within the Italian Communist Party as a result of the growing feeling that the Kremlin is exploiting the Party purely as an instrument of Soviet foreign policy and is neglecting the real interests of the Italian working class. Pointing out that the existence of this unrest may account for the recent decision to postpone the Party congress, the Embassy suggests that if the congress is held it may turn into a genuine debate on policy which may in turn lead to the establishment of an "Italian" Communist movement detached from the Cominform. The Embassy further suggests that if such a nationalistic Communist movement were established, the Kremlin would be confronted with "a deep crisis" which might spread to France and lead to mass purges in both countries.

## FAR EAST

2. INDOCHINA: Bao Dai Army delayed -- US Minister Heath in Saigon reports that attempts to form a Vietnam National Army have been characterized by "furious inactivity," with the French insisting the Vietnamese authorities produce an acceptable plan and the Viets pointing out that the necessary arms, equipment, and money can come only from the US or the French.

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NO CHANGE in Class.

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Class. CHANGED TO: TS

DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763

Date ? 4 MAR 1978

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STATE review(s) completed.